MAY 2017 PROFESSIONAL EXAMINATIONS
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)
CHIEF EXAMINER'S REPORT, QUESTIONS & MARKING SCHEME

STANDARD OF THE PAPER

The Business Management and Information Systems paper was of standard quality and the questions indicated how many points candidates were required to explain/state for the marks allocated. The question paper was very well spread across the syllabus.

GENERAL PERFORMANCE OF CANDIDATES

The performance of candidates was quite good. Indeed, it compared very favourably with the November 2016 performance. Of the 452 candidates who wrote the Paper, 313 of them passed, giving a 69% pass rate, as against the 78% pass rate recorded in the November 2016 examinations.

QUESTION ONE

a) Privatisation can refer to the act of transferring ownership of specified property or business operations from a government organisation to a privately owned entity, as well as the transition of ownership from a publicly traded, or owned, company to a privately owned company.

Required:
i) Describe **THREE** potential benefits of privatisation. **(3 marks)**

ii) State **THREE** disadvantages of privatisation **(3 marks)**

b) Identify **TWO** characteristics each of the following business set ups.
   i) Sole proprietorship.
   ii) Partnership.
   iii) Limited companies. **(6 marks)**

c) To be useful, information requires a number of specific qualities. Information systems should therefore aim to produce information that possesses these qualities.

Required:
Describe **FOUR** qualities of a useful information. **(4 marks)**

d) The staff of every organisation is a key element for organisational success. Employing the 'right' people is therefore essential. A systemic approach to recruitment and selection should be followed.

Required:
Identify **FOUR** steps in the recruitment process. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

a) Charis Shoes Ltd has been in existence for 5 years. The Board of Charis Shoes Ltd needs a report on examination of the industry's attractiveness.

Attractiveness in this context according to the board refers to the overall industry profitability.

Required:
Explain how the *Porters Five Forces model* can be used to assess the attractiveness of the industry in which Charis Shoes Ltd operates. **(15 marks)**

b) Knowing where your products or services are in their development cycle will help you determine refinements or adjustments you may need to make to align them with the vision and strategy you have already developed.

Required:
Outline the **FIVE** stages that are often followed in the development of a product and service.
(5 marks)

(Total: 20 marks)

QUESTION THREE

a) Djaba Ltd uses an organisational structure in which most power and critical decision making responsibilities are concentrated with a few key leaders. The organisation often houses its primary decision makers or executives in a central headquarters with offices and meeting areas for leaders to discuss business.

Required:
Identify and explain **THREE** advantages and **TWO** disadvantages of this organisational structure to Djaba Ltd. **(10 marks)**

b) Both Peters & Waterman and Deal & Kennedy argued that cultural strength is a powerful factor in shaping the behavior and success of organisations. A 'strong' culture is one in which key values are widely shared and intensely held by employees.

Required:
i) State **FIVE** advantages that a *strong culture* will bring to an organisation. **(5 marks)**

ii) State **FIVE** disadvantages that can exist in an organisation due to the practice of a *strong culture*. **(5 marks)**

(Total: 20 marks)

QUESTION FOUR

a) The informal organisation exists alongside the formal organisation and includes social relationships, informal communication network, behavioral norms and power structure. Informal organisational arrangement may be detrimental or beneficial to an organisation.

Required:
i) Explain **THREE** ways that informal organisational arrangement may be detrimental or harmful to an organisation. **(6 marks)**

ii) State **TWO** ways managers can adopt to minimise the detrimental or harmful effects of informal organisational arrangement. **(4 marks)**

b) Computer systems are exposed to security risks that threaten the security and integrity of both the system and data held in it. These threats are becoming increasingly sophisticated and seem to multiply by the day, resulting in endless headaches for IT professionals.

With each new piece of technology arriving on the scene, a security threat seems to accompany it. The key for IT is to constantly evaluate current security measures and policies to identify any shortcomings that may be exposing the company to risk.

Required:
Explain **THREE** main risks that threaten security and integrity of systems and data held in them and **TWO** ways to minimise such risks. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

a) There are a large range of information systems available to an organisation, each with different characteristics, reflecting the different roles they perform. Many systems do not fit neatly into a single category.

Required:
Describe each of the five systems listed below:
i) Transaction Processing Systems
ii) Management Information Systems
iii) Executive Information Systems
iv) Decision Support Systems
v) Office Automation Systems

(10 marks)

b) Strategic planning has been defined as the process of setting objectives for the organisation and laying down the policies which are to govern the acquisition, usage and disposal of the resources used to achieve those objectives.

Required:
Explain the following:
i) Strategy
ii) Policies
iii) Procedures
iv) Budget
v) Rules

(10 marks)
(Total: 20 marks)

QUESTION SIX

a) Markets are not homogeneous. A company cannot connect with all customers in large, broad, or diverse markets. Consumers vary on many dimensions and often can be grouped according to one or more characteristics. A company needs to identify which market segment it can serve effectively.

Required:
Explain:
i)   Market segment.   **(4 marks)**
ii) Geographic segmentation.   **(4 marks)**
iii) Demographic segmentation.   **(4 marks)**
iv) Psychographic segmentation.   **(4 marks)**
v)   Behavioral segmentation.   **(4 marks)**

(Total: 20 marks)

QUESTION SEVEN

a) The *concept of globalisation* has become a major discussion theme in both professional and business environments. A number of factors have been identified as encouraging globalisation of world trade.

Required:
i)   Explain globalisation.   **(2 marks)**

ii) Identify any **FOUR** features of globalisation.   **(4 marks)**

iii) Explain any **FOUR** factors encouraging the globalisation of world trade.   **(6 marks)**

b) Both service and manufacturing companies have goals of satisfying customer demand. However, service organisations differ from manufacturing organisations when considering *capacity management*. Maintaining sufficient capacity to meet demand is one of the great challenges of operations management.

Required:
Identify **FOUR** differences between service and manufacturing organisations in relation to *capacity management*.   **(8 marks)**

(Total: 20 marks)

MARKING SCHEME
QUESTION ONE

a)

i)   **Potential benefits of privatization**
- Improved efficiency- the main argument is that private companies have a profit incentive to cut costs and be more efficient.
- Lack of political interference- it is argued that governments are usually poor economic managers. They are motivated by political pressures rather than sound economic and business sense.
- Remove political issues- governments are concerned with winning the next election. They may be unwilling to invest in infrastructure improvement which bring long term benefit.
- Increased competition- often privatisation of state owned monopolies occurs alongside deregulation to allow more firms to enter the industry and increase the competitiveness of the market.
- The government will raise revenue from the sale. Selling state owned assets can raise significant revenue.

(Any 3 points for 3 marks)

ii) **Disadvantages of privatisation.**
- Privatisation does not necessarily increase competition. Whether competition is increased depends on the nature of the market.
- The sale proceeds is one-off benefit. The government loses out on future dividends from the profits of public companies.
- Some industries perform an important public service that should not have profit as the primary objective, for example health care.
- Private companies may exploit the public, leading to higher costs and lower standards.
- If a private sector monopoly is created, it will require monitoring and regulation.
- Private sector organisations are also guilty of favouring   short term results over the organisation's longer term prospects.

(1 marks per point of 3 total 3 points)

b) **Sole traders, Partnership, Limited companies**.
Sole traders:
- The organisation is owned and run by an individual who makes all business decisions.
- A trading name may be used, but there is no legal distinction between the individual and the business.
- It is easy to set up and close down the business.

Partnership:
- The business is owned and run by two or more individuals.

- A partnership name may be used, but the partnership is not a legal entity.
- The partners are liable for the conduct and debts of the business.

Limited companies:
- A limited company has a separate legal personality from its owners (shareholders).
- The shareholders cannot normally be sued for the debts of the business unless they have given some personal guarantee.
- Their risk is generally restricted to the amount that they have invested in the company when buying the shares. This is called limited liability.

(2 points for each = 6 marks)

c) **Qualities of Useful Information**
- **Accuracy.** Figures in a report should add up, the degree of rounding should be appropriate, there should be no typographical errors, items should be allocated to the correct category and assumptions should be stated for uncertain information. Information must be reliable.
- **Complete.** Information should include everything relevant to the decision being considered. If relevant, comparative information should be included. Information should be consistent, for example it should be collected on the same basis each time, to allow for meaningful comparison. Excessive information should be avoided.
- **Cost-effective**. It should not cost more to obtain the information than the benefit derived from its use. Information collection and analysis should be efficient. Presentation should be clear, such that users do not waste time working out what the information means.
- **Understandable**. The needs of the user are paramount. The information must be easy to read and well presented.
- **Relevant**. Information that is not needed for a decision should be omitted. All significant information that is relevant to the decision being considered should be included.
- **Accessible.** The choice of medium to provide the information should be appropriate (face-to-face, email, letter, written report) and consider the needs of the user.
- **Timely**. The information should be available when it is needed and in time for required action to be effective.
- **Easy to use.** As well as being understandable (clear and well presented) and accessible (correct choice of medium) the information should be presented in a manner that the user can easily use or pass on as required.

(Any 4 points for 4 marks)

d) **Steps in the Recruitment Process**
- **Step 1**. Detailed personnel planning
- **Step 2**. Job analysis, so that for any given job there are two things:
  -A statement of the component tasks, duties, objectives and standards (a job description)
  -A definition of the kind of person needed to perform the job (a person specification)

- **Step 3.** Identification of vacancies, by way of the personnel plan (if vacancies are created by demand for new labour) or requisitions for replacement staff by a department which has 'lost' a current job-holder.
- **Step 4**. Evaluation of the sources of labour, again by way of the personnel plan, which should outline personnel supply and availability. At macro- and micro-levels. Internal and external sources and media for reaching both will be considered.
- **Step 5**. Review of applications, assessing the relative merits of broadly suitable candidates.
- **Step 6**. Notifying applicants of the selection process.
- **Step 7**. Preparing employment contracts, induction and training programmes.

(Any 4 points for 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
Almost all the candidates answered this question and did very well with some of them scoring the maximum marks.

QUESTION TWO

a) **Michael Porter's five forces**
- Threat of new entrants to the industry
- The threat of substitute products and services
- Bargaining power of customers
- Bargaining power of suppliers
- The rivalry amongst current competitors in the industry

Porter's Five Forces is a model of analysis that helps to explain why different industries are able to sustain different levels of profitability. This model was originally published in Porter's book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. The model is widely used, worldwide, to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world. The forces are frequently used to measure competition intensity, attractiveness and profitability of an industry or market.

Competition in the Industry
The importance of this force is the number of competitors and their ability to threaten a company. The larger the number of competitors, along with the number of equivalent products and services they offer, dictates the power of a company. Suppliers and buyers seek out a company's competition if they are unable to receive a suitable deal.

Potential of New Entrants into an Industry
A company's power is also affected by the force of new entrants into its market. The less money and time it costs for a competitor to enter a company's market and be an effective competitor, the more a company's position may be significantly weakened.

Power of Suppliers
This force addresses how easily suppliers can drive up the price of goods and services. It is affected by the number of suppliers of key aspects of a good or service, how unique these aspects are and how much it would cost a company to switch from one supplier to another. The fewer number of suppliers, and the more a company depends upon a supplier, the more power a supplier holds.

Power of Customers
This specifically deals with the ability customers have to drive prices down. It is affected by how many buyers, or customers, a company has, how significant each customer is and how much it would cost a customer to switch from one company to another. The smaller and more powerful a client base, the more power it holds.

Threat of Substitutes
Competitor substitutions that can be used in place of a company's products or services pose a threat. For example, if customers rely on a company to provide a tool or service that can be substituted with another tool or service or by performing the task manually, and this substitution is fairly easy and of low cost, a company's power can be weakened.

(1 mark for each stated force and 2 marks per explanation= Total 15 marks)

b) **Stages that are followed in the development of a product or service**.
 Stage 1: Customer needs
The product is designed to fulfil particular customer needs (such as quality, price or design)
Stage 2: Screening
The concept should be considered carefully to ensure it meets certain criteria such as profitability or taking market share.
Stage 3: Design
The design process can be in different forms such as building an electronic or physical prototype. Value engineering procedures may be followed to ensure all components add value.
Stage 4: Time-to-Market
This is the time a product or service takes to get to the market place. A short time span is desirable to reduce cost and to get ahead of the competition.
Stage 5: Testing

The product or service should be tested to check that it works, that it meets the needs of the customer and that the customer likes it.

(1 mark per stage Total: 5 marks)

(Total: 20 marks)

QUESTION THREE

a) **Advantages of centralization.**
- Decisions can be coordinated more easily, and management has better control over decisions.
- Goal congruence. Decisions taken centrally should are based on overall objectives, whereas decentralized decisions may be influenced by short-term or local objectives of the people making the decisions.
- Standardization. For example, in any country McDonald's customers expect to find standard menus and pricing. If managers were allowed to take decisions about changing menus or prices, this could undermine the business model.
- Resource allocation. Centralized decision making allows resource usage to be coordinated effectively between different functions and divisions, based on overall corporate objectives.
- Economies of scale. Companies might be able to get bulk discounts if they coordinate all their purchasing requirements and make a single order.
- Quick decision making. When a quick decision is required in response to a crisis, it may not be practical to involve local managers.

Disadvantages of centralization.
- Reduced morale and job satisfaction. Local managers and divisional staff may be frustrated at their inability to take decisions, and this could reduce their job satisfaction and motivation.
- The fact that senior managers take all the decisions and do not delegate any could also increase the pressure and stress on senior managers.
- Limited opportunities. If junior managers are not given any opportunities for decision making this could hinder their career development, by preventing them from gaining experience which could be useful in more senior management positions.
- Imperfect information. Local managers may have greater knowledge about operational activities or local market conditions than senior management or head office staff. Therefore, senior management may have to delegate some decisions, or else risk damaging the quality of decisions taken due to their imperfect information.

- Communication time. Although centralisation can be useful for making rapid decisions(eg in a crisis,) it may take longer for decisions taken centrally to be communicated to different divisions and functions than if the decisions had been taken locally.

(2 marks per advantage (3) and disadvantage (2): 2x5 =10marks)

b)

i) **Advantages of a strong culture to an organization**

- **Unity**

  A shared organizational culture helps to unite employees of different demographics. Many employees within an organization come from different backgrounds, families and traditions and have their own cultures. Having a shared culture at the workplace gives them a sense of unity and understanding towards one another, promoting better communication and less conflict. In addition, a shared organizational culture promotes equality by ensuring no employee is neglected at the workplace and that each is treated equally.

- **Loyalty**

  Organizational culture helps to keep employees motivated and loyal to the management of the organization. If employees view themselves as part of their organization's culture, they are more eager to want to contribute to the entity's success. They feel a higher sense of accomplishment for being a part of an organization they care about and work harder without having to be coerced.

- **Competition**

  Healthy competition among employees is one of the results of a shared organizational culture. Employees will strive to perform at their best to earn recognition and appreciation from their superiors. This in turn increases the quality of their work, which helps the organization prosper and flourish.

- **Direction**

  Guidelines contribute to organizational culture. They provide employees with a sense of direction and expectations that keep employees on track. Each employee understands what his roles and responsibilities are and how to accomplish tasks prior to established deadlines.

- **Identity**

  An organization's culture defines its identity. An entity's way of doing business is perceived by both the individuals who comprise the organization as well as its clients and customers, and it is determined by its culture. The values and beliefs of an organization contribute to the brand image by which it becomes known and respected.

(5 points for 5 marks)

ii) **Disadvantages of practicing a strong culture**

- **Unavoidable**

  Every small business has a corporate culture, whether an owner is aware of it or not. While the owner is busy getting a business off the ground, the culture is growing at the same time, becoming an uneasy consensus of "how things are done." Unfortunately, once this consensus becomes entrenched, it can be difficult to lead employees. The default culture becomes a drag on the owner's efforts to move the company forward.

- **Behaviour Driver**

  Any culture, including corporate culture, institutionalizes behavioral norms. This "herd mentality" can discourage innovative thinking and individual initiative, especially if the company doesn't value adaptability. Additionally, the leadership of a small business models behavior. A company's management forms a "dominant coalition" that has a profound impact on corporate culture. If managers are at odds or negative, the institutional culture reflects that and encourages negativity in employees.

- **Employees May not Accept it**

  Employees can be leaders, too, even without legitimate power. Employee relationships form a social system and an informal organization that underlies the formal structure of a small business. This social system is "one of the most important factors of organizational culture," the book says. An owner should be aware that no matter how much certain values such as hard work or responsibility are touted, if employees model contrary behavior, the corporate culture hurts the company.

- **Difficult to Change**

  The corporate culture gives employees a sense of identity and belonging that encourages participation in the company. A business doesn't stand still, however. When an owner decides to make changes, it threatens employees' identity. Some may see an opportunity, but it is natural for others to wonder what role they will have in the new situation. Others will fear a loss of status. Facing these uncertainties, employees may resent and resist change. Some may even become hostile.

- **Misalignment**

  No matter how glorious the words of a mission or vision statement, they cannot inspire employee action if the corporate culture will not support it. The culture provides the means of translating mission into action. Communication, relationships, interrelationships, empowerment, the sense that the true values of

the organization are aligned with mission -- all these determine whether employees can fulfill an owner's vision for the small business.

(5 points for 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
Many candidates refrained from answering this question and the few who attempted scored marks. Instead of explaining the advantages and disadvantages of centralization, most of them were talking about elements of on organizational structure.

QUESTION FOUR

a)
i)   Detrimental effects of informal organisational arrangement.
- Social groupings may act collectively against organisational interests, strengthened by collective power and information networks. Even if they are aligned with organisational goals, group/network maintenance may take a lot of time and energy away from tasks.
- The grapevine is notoriously inaccurate and can carry morale-damaging rumors.
- The informal organisation can become too important in fulfilling employees' needs: individuals can suffer acutely when excluded from cliques and networks.
- Informal work practices may 'cut corners', violating safety or quality assurance measures.

(2 marks for 3 points = 6 marks)

 ii)   Ways managers can adopt to minimise the detrimental or harmful effects of informal organisational arrangement.
  Manages can minimize problems by:
- Meeting employees' needs as far as possible via the formal organisation: providing information, encouragement and social interaction.
- Harnessing the dynamics of the informal organization - for example by using informal leaders to secure employee commitments to goals or changes.
- Involving managers themselves in the informal structure so that they support information sharing, thereby eliminating undesired behaviors and attitudes.

(Any 2 points for 4 marks)

b) Security risks
- Hackers and eavesdroppers. They try to gain unauthorized access to computer systems. They may attempt to damage a system or steal information. Data that is transmitted across telecommunications links is exposed to the risk of being intercepted or examined during transmission (eavesdropping)

- Viruses may destroy information or data.
- Hoaxes: These are virus that may be encountered by recipients and which can waste precious time by resending information to others.
- Denial of service attack: This involves an organized attack or the sending of excessive volumes of information deliberately to a server to slow it down or hinder its functions.
- Natural disasters such as fires and floods may damage the place where the system is stored.
- Hardware and software failure systems may malfunction for a number of reasons.
- Human error: Operators may accidentally damage or delete information held on a system.
- Operational injury such as repetitive strain injury (RSI) is a risk faced by computer operators.

(Any 3 points for 6 marks)

Risks can be minimized by the following:
- Antivirus may be used to prevent, remove and detect viruses.
- Firewall can be used to check the in-flow of certain files that may harm a system.
- Encryption: To conceal information from unauthorized users.
- Electronic signatures: This involves the use of keys to unscramble data that has been protected to reach rightful recipient who will have the unscrambling key.
- Authentication: This is a procedure that makes sure a message has come from an authorized sender.
- Dial-back security: This operates by requiring persons wanting access to dial into a network and identify themselves first.

(Any 2 points for 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
Many of the candidates answered this question and did generally well. Most of them performed poorly in section (a) but did well in section (b).

QUESTION FIVE

a)
i)   Transaction Processing Systems (TPS)
TPS are used for routine tasks in which data items or transactions must be processed so that operations can continue. TPS support most business functions in most types of organisation. Transaction processing systems are sometimes referred to as data processing systems. Examples are sales order information system, market research

system, pricing system, payroll, employee benefits, career path systems, Curriculum/class control systems and benefactor information system.

Please Note: other systems under manufacturing, finance/accounting, human resource and educational institution could be mentioned by students.

ii)   Management Information Systems (MIS)

Management Information Systems convert data from mainly internal sources into information (e.g. summary reports, exception reports). This information enables managers to make timely and effective decisions for planning, directing and controlling the activities for which they are responsible.

A management information system provide regular reports and access to the organisation's current and historical performance.

MIS usually transform data and underlying transaction processing systems (TPS) into summarised files that are used as the basis for management reports.

MIS have the following characteristics:

- support structured decisions at operational and management control levels
- designed to report on existing operations
- have a little analytical capability
- relatively inflexible
- have an internal focus

iii)   Executive Information Systems (EIS)

An EIS pools data from internal and external sources and makes information available to senior managers in an easy-to-use form. EIS helps senior managers make strategic, unstructured decisions.

An executive information system provides senior managers with easy access to key internal and external information. The system summarises and tracks strategically critical information, possibly drawn from internal MIS and DSS, but also including data from external sources e.g. competitors, legislation and external databases.

iv)   Decision Support Systems (DSS)

DSS combine data and analytical models or data analysis tools to support semi-structured and unstructured decision making. DSS are used by management to assist in making decisions on issues which are subject to high levels of uncertainty. They are intended to provide a wide range of alternative information gathering and analytical tools with a major emphasis on flexibility and user-friendliness.

DSS have more analytical power than other systems, enabling them to analyse and condense large volumes of data into a form that aids managers' decision making. The objective is to allow the manager to consider a number of alternatives and evaluate them under a variety of potential conditions.

v) Office Automation Systems (OAS)

OAS are computer systems designed to increase the productivity of data and information workers. They support the major activities performed in a typical office such as document management, facilitating communication and managing data. Examples include:

-word processing, desktop publishing, presentation software
-digital filing systems
-email, voice mail, videoconferencing (or teleconferencing)
-groupware (calendars, address books and journals), intranets, extranets, schedulers
-spreadsheets, desktop databases

(2 marks each= 10 marks)

b)

i) **A strategy** is a course of action including the specification of all the resources which will be required to achieve a specific objective. It is concerned with the overall direction of an organization. Strategy formulation is the responsibility of the top management of an organization. **(2 marks)**

ii) **Policies** are general statements or understandings which provide guidelines for management decision making. They allow managers to exercise their own discretion and freedom of choice, but within certain limits. An example of a policy might be that the staff of the purchasing department of an organization should not accept gifts from suppliers subject to certain exceptions. **(2 marks)**

iii) **Procedures** are sequences of required actions or activities for performing certain tasks. They exist at all levels of an organization even though they are more onerous and extensive at the lower levels of the organization. Although they have their setbacks, procedures result in efficiency and standardization of work**.** **(2 marks)**

iv) **A budget** is a formal statement of expected results set out in numerical terms and summarized in monetary values. It is a plan for carrying out certain activities with specified resources within a given period of time in order to achieve certain goals. A budget is a numerical statement and so tends to ignore qualitative aspects of planning and achievement. **(2 marks)**

v) **Rules** prescribe a specific, definite action which should be taken in a given situation. They do not allow for deviations or exceptions unlike policies which are general guidelines that allow the exercise of some management discretion. An example of a rule might be that employees with access to a telephone must not use it for personal calls**.** **(2 marks)**

(Total: 20 marks)

QUESTION SIX

i) **A market segment** consists of a group of customers who share a similar set of needs and wants. The marketer does not create the segments; the marketer's task is to identify the segment and decide which one(s) to target.

(4 marks)

ii) **Geographic segmentation** involves dividing the market into different geographical units such as countries, regions, cities, or neighborhoods. The company can operate in one or a few areas, or operate in all but pay attention to local variations.

(4 marks)

iii) In **demographic segmentation**, the market is divided into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, nationality, and social class.
One reason for its popularity is that consumer needs, wants, and usage rates and product and brand preferences are often associated with demographic variables, which are easy to measure.

(4 marks)

iv) **Psychographics** is the science of using psychology and demographics to better understand consumers.
In psychographic segmentation, buyers are divided into different groups on the basis of psychological/personality traits, lifestyles or values. People within the same demographic group can exhibit very different psychographic profiles.

(4 marks)

v) In **behavioral segmentation**, buyers are divided into groups on the basis of their knowledge of, attitude towards, use of, or response to a product.
Many marketers believe that the behavioral variables – occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage, and attitude – are the best starting points for constructing market segments.

(4 marks)

(Total: 20 marks)

QUESTION SEVEN

a)
i) **Globalisation** refers to the growing convergence of national cultures, economies and political systems and the growing interdependence of countries worldwide. Globalisation refers to the growing interdependence-of countries worldwide through increased trade, increased capital flows and the rapid diffusion of technology. Globalisation is focused on the growing convergence of national cultures, economies and political systems. **(2 marks)**

ii) Features of globalisation include:
- The ability of individuals to enter into transactions with individuals and organisations based in other countries
- The increased importance of global economic policy relative to domestic policy
- The rise of globally linked and dependant financial markets
- The reduction in importance of local manufacturing.
- Reduced transaction costs through the developments in communications and transport
- The rise of emerging, newly industrialised nations

(Any 4 points for 4 marks)

iii) Factors encouraging the globalisation of world trade
- **Financial factors such as developing world debt**. Often, lenders require the initiation of economic reforms as a condition of the loan.
- **Country/continent alliances:** such as those in ECOWAS and AU which foster trade and tourism.
- **Government policy:** in many countries this seeks to control the balance of payments by discouraging imports, thereby encouraging globalization.
- **Legal factors** such as patents and trademarks, which encourage the development of technology and design.
- **Markets trading in international commodities**. Commodities are not physically exchanged; only the rights to ownership. A buyer can, thanks to efficient systems of trading and communications, buy a commodity in its country of origin for delivery to a specific port.

(1.5 marks for each point = 6 marks)

b) **Service organsiations may differ from manufacturing organisations when considering capacity management in the following ways**
- Production and consumption occur at the same time. Inventories of services cannot be built up in quieter times, which makes the balancing of capacity and demand more difficult.
- Greater interaction. The customer plays an active role in the delivery process. Customer service quality is integral to the customer experience.

- Output is different each time. Each customer service interaction is different in some way e.g. different conversation, attitude, etc. Achieving a consistently high level of output is more challenging.
- Generally greater reliance on staff. Service delivery depends on the people delivering the service. The "mood' of staff on the front line should not adversely impact upon the customer experience.
- Intangible output. This makes measuring the quality level of output more difficult as there is no physical product to inspect. Obtaining feedback of customer satisfaction is important.

(Any 4 points for 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
Most of the candidates refrained from answering this question and those who attempted it performed miserably, especially at section (a).

We believe that the performance of candidates is partly due to the fact that some of them did not concern themselves with some portions of the syllabus.